In the Supreme Court of the United States

OCTOBER TERM, 1947

No. 663

UNITED STATES OF AMERICA, PETITIONER

v.

THE COLD METAL PROCESS COMPANY, ABRAM P. STECKEL AND THE UNION NATIONAL BANK OF YOUNGSTOWN, OHIO, TRUSTEE OF THE LEON A. BEEGHLY FUND

PETITION FOR REHEARING OF ORDER DENYING PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SIXTH CIRCUIT

The petition for writ of certiorari herein was denied on May 3, 1948. The vital importance of this case to the public interest, and to the establishment and enforcement of standards of honest dealing with the Patent Office on the part of applicants for patents and their attorneys, compels the Solicitor General reluctantly to depart from his general policy of not burdening this Court with petitions for rehearing and respectfully to pray that this Court grant rehearing of its order denying review of this case and permit certiorari to issue in accordance with the petition filed March 8, 1948.

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GROUNDS OF MOTION

1. This is the only occasion when the issues here presented can ever reach this Court with an opportunity for it to compel full relief in the public interest.

2. The importance of the issues presented, to the Patent Office, to other courts and to many litigants, particularly in view of ground 1 above, requires affirmative disposition of this case by this Court and should not, through its silence, be settled by a Circuit Court of Appeals.

Before discussing these questions we wish to comment briefly on respondents' insistence that the issues in this case are purely factual. The petition for certiorari accepts the facts as found (but not the inferences drawn therefrom) and raises the question whether the conduct so found constitutes fraud on the Patent Office. That is not merely a factual question but depends upon the principles of law which the court should apply to the facts as found. It is because the decision below applies a lax standard to undisputed facts that we regarded its significance as extending beyond the facts of the case and sufficient to warrant further review.

1. In patent infringement suits this Court generally does not grant certiorari unless a conflict of decisions exists with respect to the particular patent involved. But even in such cases it has been recognized that if litigation is concentrated

in a single circuit, so that conflict is unlikely, it may be appropriate to grant the writ when important patents are involved. This Court has expressly held that such a showing is sufficient to warrant the granting of a rehearing and of the writ after denial of the petition for certiorari. *Schriber-Schroth Co.* v. *Cleveland Trust Co.*, 305 U. S. 47, 50, referred to specifically in Rule 33, as amended; *Muncie Gear Works* v. *Outboard Co.*, 315 U. S. 759, 765–766.

There are two reasons why this principle applies here. In the first place, this is not a suit between a patentee and its allegedly infringing competitors, but is a sovereign action to cancel the patents *ab initio*, brought by the only party empowered to institute such proceedings, the United States. Although a judgment of cancellation at the instance of the United States would dispose of all private litigation involving these patents, the converse is not true. For cancellation *ab initio* for fraud means that the patentee can be compelled to return all royalties fraudulently derived from the patent. (*United States* v. *Hartford Empire Co.*, 73 F. Supp. 979 (D. Del.)). A successful defense to a suit for infringement, however, means merely that the patentee cannot collect additional royalties which the alleged infringer has refused to pay. Only in a cancellation suit in which the public interest is squarely represented does the court speak with finality as to the status of the patent

and only in such a case can the court grant the relief of cancellation *ab initio* required by the public interest if in fact the patents have been procured by fraud. As this Court recently stated in *Hazel-Atlas Co.* v. *Hartford Empire Co.*, 322 U. S. 238, 251:

> To grant full protection to the public against a patent obtained by fraud, that patent must be vacated. It has previously been decided that such a remedy is not available in infringement proceedings, but can only be ~~accommodated~~ accomplished in a direct proceeding brought by the Government.

In the second place, the bulk of the private litigation involving the patents here in issue lies in the Sixth Circuit. Of the alleged suits for infringement brought by respondent and presently pending, six, against Aluminum Company of America, Ford Motor Co., Republic Steel Corp., Detroit Steel Company, Greer Steel Co., and Bopp Steel Co., are in the Sixth Circuit; two, against Superior Steel Co. and Universal-Cyclops Steel Co., in the Third Circuit; two, against Acme Steel Co. and Granite City Steel Co., in the Seventh Circuit; and one, against the Thompson Wire Co., in the First Circuit. The damages claimed in the Sixth Circuit cases exceed by many times the total involved in all the other cases. Certainly in the cases in the Sixth Circuit the decision here will be controlling. In cases of this magnitude, moreover, there is a considerable pos-

sibility that the other courts may well be guided by the decision of the Sixth Circuit Court of Appeals in passing upon the question, particularly after this Court has refused a request for review of a direct action by the United States. Furthermore the burden on the judicial system of awaiting lengthy retrials of the issues canvassed in the instant case needs no elaboration.

It is important to note that although the infringement suits presently pending are against private companies, a substantial portion of the alleged liability of each is contended to be the liability of the United States for infringement of these patents by reason of the Act of June 25, 1910, as amended (35 U. S. C., Sec. 68) and by virtue of the fact that the accused acts occurred during the war period and in response to government procurement orders. In addition the United States has, as against the licensees of respondent, invoked the Royalty Adjustment Act of 1942 (35 U. S. C., Secs. 89–95) as to license royalty accruals amounting to many millions of dollars. Respondents have threatened the United States with suits with respect to both of these types of claims in sums aggregating over $30,000,000, and, if the decision below in this case is not overturned, will doubtless urge that the United States is precluded by the doctrine of *res judicata* from presenting the otherwise controlling defense that these patents were procured by fraud.

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It is thus at least improbable that a conflict will arise in the situation presented by the instant case, and even if this did happen it would not affect the cases presently pending in the Sixth Circuit. Of even more importance, however, it is *certain* that under no circumstances can these issues again be raised in any court which would be in a position to grant full relief, i. e. cancellation of the patents *ab initio,* or to give adequate protection to the interests of the United States. The decision of the Sixth Circuit in this case will thus have nation-wide effect just as did that in the *Schriber-Schroth* case. In view of the importance of this case from the viewpoint of its effect on standards of practice in the Patent Office and of the number of related cases and the millions of dollars, both public and private, immediately involved, final determination by this Court of the questions presented seems to us to be clearly in the public interest.

2. There is another and even more compelling reason why this Court should not let these issues rest without review and affirmative disposition. This is not the usual patent case involving only ordinary issues of validity and infringement. It is a case reaching to the very roots of the patent system and involves the establishment of standards of frankness and fair dealing which shall govern the conduct of inventors, their assignees and their counsel in their relationship with the

Patent Office and, through the Patent Office, with the public.

The complaint charges that the two patents here in suit were procured as a consequence of deliberate fraud practiced upon the Patent Office. The essential facts are not in dispute; hence it will not be necessary for this Court, if it reviews the matter, to be burdened, except as it may elect, with the substantial record made below. The District Court and the Circuit Court of Appeals have, we submit disastrously from the standpoint of policing practice before the Patent Office, condoned deliberate concealment from the Patent Office of the mutual interests of ostensibly competing owners of two copending applications for patent covering the same subject matter, and the machinations and deceits of patent counsel acting in their behalf. Respondents in so doing were acting in pursuance of a scheme or plan, found by the courts below to have existed, but which respondents flatly denied to the Patent Office in order fraudulently to induce the Commissioner of Patents to issue one of the patents here concerned (R. I. 84, 89).

The courts below have sanctioned the manipulation by respondents of patent applications and Patent Office procedure for purely private advantage and in disregard of the public interest. In doing so these courts have ignored the paramount public interest in patents and have refused to

share in that judicial concern for protecting the public against fraudulent patent monopolies which was so clearly manifested by this Court in the *Hazel Atlas* case, *supra* and *Precision Instrument Co.* v. *Automotive Co.*, 324 U. S. 806.

Permitting the instant decision to stand unreviewed by this Court will be to narrow the effect of those cases at least in so far as they are understood to require that those dealing with the Patent Office owe an uncompromising duty to reveal to that Office all material facts relating to the prosecution of patent applications.

If the standards of conduct approved by the courts below in this case are to stand, the Patent Office, as its present Commissioner cogently pointed out in his letter to the Solicitor General, (Appendix A to the original Petition herein) will be, at a minimum, greatly hampered in discharging its responsibilities to the public, for it will be unable to maintain among applicants and their counsel those standards of honesty and fair dealing that alone protect the public against chicanery and the issuance of patent monopolies steeped in fraud. Such standards should not be permitted to prevail except upon a clear expression by this Court. This is particularly desirable in view of the present importance of this subject and of the fact that this Court has not been called upon for 51 years to define the principles which are to govern proceedings for the cancellation of patents.

Matters of such critical importance to the public interest, the Patent Office, and to so many courts and litigants should be affirmatively settled by this Court, not by a Circuit Court of Appeals.

CONCLUSION

For the above reasons if is respectfully urged that rehearing be granted and that, for the reasons set forth herein and in the petition for certiorari, upon such rehearing a writ of certiorari issue to the Sixth Circuit Court of Appeals in accordance with the petition filed herein on March 8, 1948.

Respectfully submitted.

PHILIP B. PERLMAN,
Solicitor General.

CERTIFICATE OF COUNSEL

I hereby certify that the foregoing petition for rehearing is presented in good faith and not for delay and is restricted to grounds specified in Rule 33 of the rules of this Court.

PHILIP B. PERLMAN,
Solicitor General.

U. S. GOVERNMENT PRINTING OFFICE: 1948